



What a CFO can bring to your Business

Part 2 – Value Adds

A key player in any business is the Chief Financial Officer, the CFO, whose skill set is likely not one of the typical entrepreneur. In Part 1 of our series we examined the core functions of the CFO. In this article we look at the some of the additional activities a versatile CFO performs which can make a real difference to a business.

- **Corporate strategy** – Thinking clearly about strategy is a key activity that eludes most companies; indeed, many companies confuse strategy with aspirations. Mapping the future course of the business requires exceptional business knowledge, market savvy, soul-searching and humility. Ultimately, the goal is to create a unique and sustainable competitive position.

The CFO can help a company develop strategic alternatives and put in place the structure to implement them. Moreover, since all other functions in the company are fully focused with their own missions the CFO is usually charged with maintaining organizational integrity by ensuring that systems and processes are reliable and well integrated with the goals of the firm.

- **Raising and structuring additional capital** – In addition to negotiating long-term debt financing with the company's relationship bank, the CFO is typically in a good position to lead efforts to attract additional equity funding through an angel investor, venture capital firm and/or private equity firm. The CFO is usually the person most well-versed in the "finance-speak" common to these investor types and can best represent the financial prospects of the company. Once an appropriate investor group is identified, the CFO will work to ensure that negotiations result in an appropriate deal structure.
- **Board of director presentations and corporate governance** – Most CFOs are experienced in presenting financial information to boards of directors. If the developing company has received equity financing from an outside source, that source likely has representation on the board and the CFO is adept at answering questions related to the company's financial health. Keeping outside

investors informed about the company is an important part of relationship management. In addition, most CFOs are knowledgeable about best practices in corporate governance which give outside investors' confidence that the company is being well managed.

- **M&A and exit strategy** – Even small and growing companies may be involved in M&A activity or in selling a piece of its business. The CFO can add value at all stages of the M&A transaction by (1) performing up-front due diligence in assessing the financial health of the target company as well as the quality of its finance related systems; (2) negotiating the nature and amount of the purchase price (stock, cash, contingent, etc.) and (3) managing the integration of people, processes and systems once the transaction has closed. Similarly, on the sell side, the CFO can perform internal valuation services as well as negotiate a favorable sales price.



- **Financial Audits** – Independent audits or reviews by outside accounting firms are usually required by investors or lenders. Many entrepreneurs are surprised by the level of scrutiny an audit entails. Undergoing an audit not only requires proper financial statements but also detailed schedules, notes, contracts and other documents to support the financial statement data. Your CFO can ease the audit process by knowing what documentation may be necessary.
- **The CFO as Salesman** – For many years CFOs have touted themselves as business partners, but what that really meant was managing the internal planning and operations of the firm. The exceptional CFO considers him/herself not just a part of the management team but also a part of the sales team. Most CFOs have a strong network of outside contacts in various industries and companies. Occasionally he/she is in a position to make an introduction which results in a sale and helps increase the top line while still managing the bottom line. A smart entrepreneur takes advantage of the CFO's extensive network.

Summing Up

Your CFO is a key member of top management. He or she is responsible for developing and managing the infrastructure necessary to objectively evaluate company financial performance and provide insight into maximizing growth and profitability. Since the skill set necessary to perform these functions is seldom a business owner's strength, the astute entrepreneur should consider engaging a CFO on a full or part time basis to help the company build competitive advantage and achieve superior results.